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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 003236

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TAGS: [ECON](#) [PGOV](#) [AGR](#) [FAO](#) [FAS](#) [IFAD](#) [IICA](#) [BL](#)
SUBJECT: PL-480: WE CAN'T GIVE MONEY AWAY

REF: LA PAZ 002960

Classified By: Ecopol Chief Mike Hammer for reasons 1.4 (b) and (d).

Summary

11. (C) Institutional incompetence, politicking, and resistance to cooperation with the United States is hampering USDA programs in Bolivia. At the end of the Title I wheat monetization program in 2005, a committee within the PL-480 Secretariat was set up to administer the approximately US\$6

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million in remaining funds. To date, the joint U.S./Bolivian committee has spent only US\$46,154 on projects. Moreover, current government decrees restricting the use of foreign aid threaten to further complicate the situation. The Morales Administration shows little willingness to cooperate, even with a program that directly benefit their campesino base.
End Summary.

PL-480 Advisory Board

12. (U) The PL-480 Advisory Board was established in 2005 to administer the approximately US\$6 million in funds which resulted from Title I wheat monetization. According to the bilateral agreement, the Board is comprised of two representatives from the Ministry of Agriculture, the Regional Agricultural Counselor of the U.S. Embassy (Eugene Philhower, out of Lima), and a representative from Post (EconOff). Decisions are based on majority vote and, in the event of a deadlock, the decision of the U.S. Agricultural Attach is controlling. The board has generally met every three months.

13. (C) Entering the September meeting, the Board had approved seven projects for nearly US\$4 million. No action had been taken on any of them, and the Minister of Agriculture representatives said that two of the projects

were no longer acceptable: The first because some of the funds were to be given to a private entity and the second, although they didn't say it outright, because it was to take place in the opposition state of Santa Cruz. In an attempt to continue to maintain cordiality Philhower agreed with the decisions. Moreover, he encouraged the representatives to come up with project alternatives.

¶4. (C) In a November 29 meeting, no additional funding had been spent to support the five outstanding projects. After more than two years, only US\$46,154 has been spent. When asked, the PL-480 director general (the PL-480 also handles donations from other nations) said that they "have no reason why none of the money has been spent."

Alfalfa, Milk, and Eager Campesinos

¶5. (C) During Philhower's September visit, we visited an altiplano project to encourage alfalfa production in support of dairy farming in the desperately poor altiplano outside of La Paz. The project is managed by Save the Children and counts on the cooperation of the National Program of Seeds (PNS). The participating campesinos were enthusiastic, well-organized, and ready for the alfalfa planting season (late November, early December). At the board meeting and in a separate meeting with Vice Minister of Agriculture Roxana Liendo, EconOff was assured that the seeds would soon arrive to support the projects. The seeds had still not been purchased as of the November 29 meeting. The Ministry representative said that there were problems in the bidding process, but could offer no concrete details. He said that a new bidding process will take place on December 14 and the

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seeds may still reach the campesinos shortly after.

Trying to Support Food Health and Safety

¶6. (C) The largest project approved by the Board (US\$1 million) would go to support the activities of Bolivia's National Service of Food Health and Safety (SENASAG). Currently, the USDA and the InterAmerican Development Bank (IDB) have been the primary financiers of SENASAG programs (IDB funds run out this year). In order to ensure the quality of work, the USDA has wholly funded an administrative unit (UNADE) as a part of SENASAG. UNADE has two U.S. Animal and Plant Health Inspection Service (APHIS) employees and has been instrumental in the fight against hoof and mouth disease and other plant and animal health issues. Over the past year however, the Ministry of Agriculture has been replacing trained scientists and technicians in SENASAG with political allies and now may be trying to eliminate UNADE and the oversight it provides. SENASAG was scheduled to present its reorganization plans to the Ministry on December 10. While unofficially, Ministry representative have said that the role of UNADE will be preserved, many other signs indicate otherwise.

¶7. (C) While it is normally difficult for Embassy officials to communicate with high level members of the government, EconOff recently sat next to SENASAG president Rolando Cazzol on a flight to southern Bolivia. (Note: Cazzol is a childhood friend of Agricultural Minister Susana Rivero and has no previous plant and animal health experience. End Note.) This provided an opportunity to try to understand why SENASAG had yet to spend any of the approved project money and has also been unable to use 22 pick-up trucks donated to the agency by the USG in May 2007. As to the project money, Cazzol said that they desperately needed the funds, but were waiting until after the reorganization meetings to decide how to use it. He also said that he planned to try to preserve the role of UNADE.

18. (C) As to the donated trucks, which were officially handed over by Ambassador Goldberg to help with fruit fly inspections, Cazzol said that the law prohibited the government from buying "luxurious" vehicles. However, he went on to add that SENASAG really needed the vehicles and he was going to pay the dealer the outstanding balance using the SENASAG budget (only 20% of the cost has been paid to the dealer). He would then ask the Minister Rivero to reimburse SENASAG with the funds donated by the USG. (Note: Carolyn Cohen, regional director of APHIS, said that the bidding process for the truck contract was rigidly transparent and that after the top bidder was identified, Ministry officials requested that the bid go the second place bidder. After insisting the contract go to the top bidder, the Ministry accepted the decision and paid for 20% of the total value of the trucks. However, the remainder of the bill has not been paid and the trucks sit locked in a car lot. The Ministry at first claimed "irregularities" in the procurement and insisted on auditing the process. Two internal audits and one external audit by Price Waterhouse were conducted and no irregularities were found. Now the government is claiming that the trucks are too "luxurious" and cannot be accepted. Ironically, Evo recently exhibited four similar trucks in the central plaza of La Paz which were donated by the Venezuelan government for use by community groups. End Note.)

19. (C) EconOff shared the news with Dr. Cesar Orozco, the veterinary officer at UNADE, and he said Cazzol was simply not telling the truth. First of all, SENASAG does not have the resources to pay for the trucks. Secondly, he had just come out of a meeting on December 10 with Minister Rivero and Cazzol where Cazzol flatly stated that the trucks would never be released because they were to be used in the opposition state of Santa Cruz. Moreover, Liendo said that she would not authorize their release because it was the US Ambassador

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himself who officially donated the trucks. Orozco believes that they forgot that he was present in the meeting. Finally, both Orozco and Juan Chavez, Interamerican Institute for Agricultural Cooperation (IICA) representative, believe that Rivero cannot authorize the Title I funds to be used to support agricultural projects because she will be seen as cooperating with the U.S. and would thus be in danger of losing her job. A final discouraging sign is that when Agricultural Counselor Philhower sent a letter directly to Vice Minister Roxana Liendo to explain the possibility of funding SENESAG along with UNADE, she answered by sending back a copy of the decree outlining new restrictions on external donations (Ref A).

Wheat Refused, Looking for Alternatives

110. (C) Government intransigence is also affecting the Title II programs administered by USAID. In order to import the commodities necessary to support their programs, USAID needs a Ministerial Resolution. On December 3, a day before a ship with some US\$6 million dollars worth of commodities was set to be loaded, the Ministerial Resolution had yet to be signed. At the last possible moment, the Ministry did issue the permission, but with some restrictions. They would allow the importation of some commodities to be distributed, but would not allow any wheat flour to be imported for monetization or distribution. This wheat is now in the process of being directed to other countries. (Note: The restriction is particularly odd considering government efforts to control inflation, which have included requiring military units to bake bread. End Note.) For the Title II program, the loss of the wheat is a heavy blow. Without monetization, cooperating partners stand to lose around US\$6 million. Currently, USAID is negotiating with Food For Peace in Washington to replace the forgone income from monetization with cash resources in order to successfully conclude the

affected Title II program by December 2008.

Comment

¶11. (C) Despite the hostile environment, the Embassy continues to try to work with its Bolivian counterparts to continue joint programs. However, as the PL-480 situation shows, moving forward is difficult when the Morales Administration seeks to limit cooperation or ministries believe it is not safe to work with us. More generally, a cloud of uncertainty remains over many programs and the vaguely written decrees addressing foreign assistance, few of which have been defined by implementing regulations. We are not confident that the "rules of the game" on foreign aid will be clarified any time soon. The deterioration of SENASAG is also of considerable concern. Funding for the agency runs out at the end of the year, which, in combination with the increasing politicization of the agency, puts at risk the continued effective control over plant and animal health.

End Comment.

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